

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2020/2021

DFA5044 – FINANCIAL ACCOUNTING 4

(For Diploma Students Only)

19 OCTOBER 2020
9.00 a.m. to 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **6** pages with **4** questions.
2. Answer **ALL** questions.
3. Write your answers in the answer booklet provided.

QUESTION 1

Part A

FRS 101 “Presentation of Financial Statements” deals with the presentation of financial statements including the presentation of the Statement of Financial Position. The following items are some of the important items to be disclosed: -

- (a) Debentures
- (b) Reserves
- (c) Share Capital
- (d) Property, Plant and Equipment

Required

Explain in your own words each of the above items and give **ONE (1)** example.

(4 marks)

Part B

Nice Gold Bhd. was incorporated on 1 October 2019. The company invited application for its first issue of 500,000 6% preference shares at RM2.50 each, payable in full on application and 1,300,000 ordinary shares of RM1.80 on the following terms:

On application	RM0.30
On allotment	RM0.60
On 1 st call	RM0.50
On 2 nd and final call	RM0.40

The company received 2,100,000 applications for ordinary shares and the director decided to refund 70% of excess applications and allotted the shares on pro rata basis among the remaining applicants. Any surplus money on application was used to pay up on allotment.

The 1st call was duly paid with the exception of three shareholders who held 45,000 shares each, failed to pay. There was one shareholder who held 30,000 shares paid the 2nd call money during 1st call. On the 2nd and final call, all monies due were received.

Required

- (a) Prepare the journal entries to record the above transactions. (14 marks)
- (b) Prepare the extract of the Statement of Financial Position after the receipt of 1st call. (3 marks)

Continued...

Part C

Given below is extract of the Statement of Financial Position of Alam Bhd as at 31 December 2019.

<u>Issued and fully paid up capital</u>	<u>RM</u>
10,000,000 5% preference shares	20,000,000
70,000,000 ordinary shares	70,000,000
<u>Non-current liability</u>	
35,000,000 3% redeemable preference shares	42,000,000
<u>Reserve</u>	
Retained profit	4,300,000

During the year, the directors resolved to redeem 30% of its redeemable preference shares at a premium of 20%. To finance the redemption, 7,000,000 ordinary shares were issued at RM1.50 each and the balance by transferring from the retained profit to contributed capital.

Required

Prepare the necessary journal entries to record the transactions. (4 marks)

(Total: 25 marks)

QUESTION 2

The following is a Statement of Financial Position of Mahkota Bhd. as at 31 July 2020.

Mahkota Bhd.
Statement of Financial Position as at 31 July 2020

Assets	RM
Land and building	230,000
Office equipment	74,000
Goodwill	38,000
Investments	47,000
Trade receivables	50,600
Inventories	61,400
	RM501,000
 Issued and fully paid up share capital	
80,000 5% cumulative preference shares at RM1 each	80,000
200,000 ordinary shares at RM1.20 each	240,000
	320,000
Assets Revaluation reserve	60,000
	380,000
Accumulated losses	(102,000)

Continued...

Long-term liability

8% debentures	80,000
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Current liabilities

Bank overdraft	36,000
Trade payables	70,000
Interest payable on debenture	12,000
Director's loan	25,000
	<u>RM501,000</u>

The company had a major loss for the past few years which made the company suffering losses to date. Few shareholders start to sell their shareholding ever since they did not get their dividend. Hence, the company passed a special resolution and approval of the court was obtained for the following scheme of internal reconstruction:

1. The preference share is to be reduced by RM0.60 each, while ordinary share is to be reduced to RM0.50 each.
2. Existing ordinary shareholders agreed to subscribe for a new issue on the basis of 2 fully paid up ordinary shares for every 1 held.
3. The preference shareholders to receive three ordinary shares of RM0.50 each for every RM1 preference dividends in arrears. Arrears on preference dividend are RM20,000.
4. The debenture holders are to accept 20,000 ordinary shares of 50 sen each in lieu of the interest payable. The balance of interest payables is to be canceled.
5. Paid 20% of the director's loan. The balance is to be settled by the issuance of ordinary shares of RM0.50 each. The director also agreed to subscribe additional ordinary shares for RM40,000.
6. The asset revaluation reserve is to be utilized for the scheme.
7. The goodwill and the accumulated losses are to be written off.
8. The investment has a fair value of RM58,000.
9. The company paid half of the trade payable and the balance at quarterly intervals.
10. The remaining assets were professionally valued and should be included in the books and accounts as follows:

Land and building	RM275,000	Inventories	RM50,000
Office equipment	62,000	Trade receivables	41,100

11. Cost of reconstruction amounted to RM17,000.

Required

- (a) Prepare the journal entries to record the capital reduction, including surplus or deficiency of capital reduction. (18 marks)
- (b) Prepare the Statement of Financial Position of the company after the completion of capital reduction. (5.5 marks)

Continued...

(c) Section 115 of the Company Act 2016 states that, the company may reduce its capital by either through a special resolution confirmed by the court (Sec 116) or through a special resolution supported by a solvency statement from all directors (Sec 117).

State **THREE (3)** situations of reduction capital by a special resolution confirmed by the court according to Section 116 of the Company Act 2016. (1.5 marks)

(Total: 25 marks)

QUESTION 3

Part A

Given below the Trial Balance for Bumble & Bees Partnership.

Bumble & Bees Partnership Trial Balance as at 31 December 2019		
	<u>Debit (RM)</u>	<u>Credit (RM)</u>
Bank	10,000,000	
Trade Receivables	40,000,000	
Inventories	70,000,000	
Furniture & Fittings	580,000,000	
Accumulated Depreciation		70,000,000
Trade Payables		30,000,000
Bumble, Capital		200,000,000
Bees, Capital		400,000,000
	RM700,000,000	RM700,000,000

Transformers Bhd was formed to take over the partnership as at 1 January 2020. Bumble and Bees are to be the major shareholders of the new company. They subscribed for 2,000,000 ordinary shares each at RM1 in Transformers Bhd, paid immediately in cash.

The sale and purchase agreement provided that:

1. The company to issue 800,000,000 fully paid ordinary shares at RM1 to the partnership as purchase consideration.
2. The company to assist the partnership in collecting from the customers and paying the creditors. Bad debts of RM5,000,000 were incurred on trade receivables.
3. The company should take over all the non-current assets and inventories of the partnership.
4. Furniture and Fittings and inventories are to be taken over at the fair values of RM600,000,000 and 80,000,000 respectively.

The partners share profits and losses equally and have agreed that any cash remaining on liquidation of their partnership should be distributed between partners according to the ratio of their last agreed capital; ratio (1:2).

Continued...

Required

(a) Calculate the goodwill. Show all your workings. (3 marks)

(b) Prepare the journal entries to close the books of Bumble & Bees Partnership. (11 marks)

(c) Prepare the journal entries to open the books of Transformers Bhd (5 marks)

(d) Prepare the Statement of Financial Position of Transformers Bhd immediately after the acquisition of Bumble & Bees Partnership. (3 marks)

Part B

Combining separate business entities is an alternative to internal expansion of the companies. Owners or directors of a company may prefer to expand their business by acquiring another business operation rather than to build up a new business from scratch.

Provide any **THREE (3)** benefits of business combination that will be derived from a bigger business unit.

(3 marks)

(Total: 25 marks)

QUESTION 4**Part A**

Wan Sdn. Bhd., Ipie Sdn. Bhd. and Lie Sdn. Bhd. decided to amalgamate to take advantage of economies of production.

Below is the accounts balance for the three companies as at 31 December 2019 before amalgamation.

	Wan RM	Ipie RM	Lie RM
Cash	126,000	157,500	112,000
Trade Receivables	315,000	393,400	126,000
Inventories	252,000	177,800	140,000
Property, Plant and Equipment	1,050,000	1,186,500	560,000
Goodwill	49,000	16,800	70,000
Trade Payables	84,000	105,000	98,000
Ordinary Shares of RM1 per share	1,400,000	1,470,000	700,000
Profit and Loss	308,000	357,000	210,000

A company named Will Power Bhd. was formed to take over the business of Wan Sdn. Bhd., Ipie Sdn. Bhd. and Lie Sdn. Bhd. as from 1 January 2020 on the following terms:

Continued...

1. Will Power Bhd to take over all assets and liabilities of Wan Sdn. Bhd., Ipie Sdn. Bhd. and Lie Sdn. Bhd.
2. The purchase consideration to Wan Sdn. Bhd., Ipie Sdn. Bhd. and Lie Sdn. Bhd. are to be discharged in fully paid ordinary shares in Will Power Bhd. at RM1 per share.

	RM
Wan Sdn. Bhd.	1,540,000
Ipie Sdn. Bhd.	1,890,000
Lie Sdn. Bhd.	770,000

3. Wan Sdn. Bhd., Ipie Sdn. Bhd. and Lie Sdn. Bhd. are to be wound up. Liquidation expenses of RM10,000 each to be paid by their respective companies.
4. The assets were taken over at the following values:

	<u>Wan</u> RM	<u>Ipie</u> RM	<u>Lie</u> RM
Trade Receivables	287,000	378,000	119,000
Inventories	238,000	168,000	126,000
Property, Plant and Equipment	980,000	1,218,000	490,000

Required

- (a) Prepare the schedule to calculate the amount of goodwill on business combination for Wan Sdn. Bhd., Ipie Sdn. Bhd. and Lie Sdn. Bhd. (4 marks)
- (b) Prepare the necessary entries to open the book of Will Power Bhd. (8 marks)
- (c) Prepare the ledger for Business Purchase Account in Will Power Bhd. (5 marks)

Part B

- (a) Identify and briefly explain the **TWO (2)** basic types of companies. (2 marks)
- (b) One of the items to be disclosed in the Statement of Comprehensive Income under FRS and PERS is exceptional items. Briefly explain and give **ONE (1)** example of the exceptional items. (2 marks)
- (c) According to Malaysian Accounting Standard Board (MASB), annual report of the company consists of the Chairman's Statement, Corporate Governance Statement, Audit Committee Report, Statement of Internal Control, Social Responsibility Statement and Financial statements.

Briefly explain the Chairman's Statement and Statement of Internal Control which are required to be reported in the annual report. (4 marks)

(Total: 25 marks)

End of Paper